

THE DIRECTION OF INDUSTRIAL EXPANSION UNDER
THE ECONOMY OF THE NEW DEMOCRACY.

Hsin-min-shu Chu-i Ching-chi-ti Kung-yeh Fa-chan
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NOTE: The material in this book is from various sources including,
Mao Tse-tung and Ch'ien Fo-ta, and editorials and reports from
various publications.

Part I.

A. The Direction of Industrial Expansion under the Economy of the
new Democracy.

1. The Economy of the New Democracy. (Source: "On the New
Democracy", from Mao Tse-tung's Selected Works, pages 246-
247). The heart of the economic system of the new Democracy
is firstly, the idea of the government controlling all enter-
prises which in private hands might create a monopoly of the
people's livelihood; and secondly, the carrying out of Dr.
Sun's dictum of "Land to the Tiller". The agricultural eco-
nomy is not to be socialistic, but rather of private ownership.
2. The New Democracy's Economic Policy of Industrial Expansion.
(Source: "Coalition Government", from Mao Tse-tung's Selected
Works, pages 334-337).

In April 1945 Mao Tse-tung indicated that the policy of the
People's Party for the development of an industrial economy
in China envisaged a cooperative program for public and pri-
vate capital with a reasonable degree of security and profit
for both.

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3. The Policy of Mutual Profit for Labor and Capital, of Protection of Both Public and Private Interests; Increased Production; a Flourishing Economy. (Source: "Conditions Ahead and Our Duties", pages 27-28, an address by Mao Tse-tung, 25 December 1947). The confiscation of the 10 - 20 billions in US dollars held by the four families of Chiang, K'ung, Sung and Ch'en is one of the irreducible minimums of the People's Party. This accumulation of ^{wealth} represents a monopolization of the national economy. This, combined with foreign imperialism, native landlordism and capitalistic peasantry constitutes the compradore, feudalistic system that oppresses laborers, peasants and small and middle class capitalists. Small and middle class capitalists may join in the people's democratic revolution since they are not imperialists, and are essential to the national economy. Whatever promotes the idea of mutual interdependence of public and private enterprises and mutual profit for capital and labor is in harmony with the idea of the People's Democratic Economy; whatever departs from this is erroneous.

4. The Position and Responsibilities of the Working Class.

(Source: An editorial by the New China News Agency 7 February 1948 to be found in "Conditions Ahead and Our Duties", pages 121-125.)

The aims of the revolutionary labor movement, whether in the liberated areas or in the Nationalist controlled areas, is the same, that is, to secure liberation for the laboring classes and all the oppressed people, and establish a democratic China. While, in the liberated areas, the laboring class is the master, the laborers should not attempt to overthrow the private indus-

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rials, for this would result in loss to themselves and to the state. They should rather cooperate to promote their own livelihood and the profit of the employer. Herein lies a great difference between the people's democratic state and the socialist state in which there is no private enterprise.

D. The Policy of the Expansion of the Proletariat in Industry, and the Tax Collection Policy. By Ch'en Po-ta.

A great many people, even highly placed leaders of the party, are poorly informed as to the aims and proper methods of the party. They are apt to think of it merely as a movement of the have-nots to possess themselves of the accumulated wealth of the haves. They have forgotten the damage caused to the Party by an attempt to implement such a policy during the period 1931-1934. They must give ^{up} these leftist tendencies to violence before they can be of assistance in the movement to free the people from imperialism and reactionism.

In its labor policy the liberation movement must steer a middle course between the old evil of irresponsible lackadaisical methods of labor prevailing under reactionary capitalism and the tendency in the first flush of victory for the working class to raise the wage scale to the point where employers can no longer maintain the industry. Labor should realize that increase in efficiency and production must accompany increased wages. Labor unions should promote the idea of increased production among the laborers, and seek to bring about greater cooperation between employers and employees, whether in state operated ^{or} privately operated enterprises. They should establish training centers where workmen may increase their skills; they should establish laborers' consumers cooperatives to make the laborer independent of market price fluctuations.

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In the matter of taxation, commerce should bear a heavier rate of taxation than industry since commerce does not produce. Also, as between industries, producers of luxury goods should bear a higher rate of taxation than producers of consumer goods. Taxation rates should be set for each industry according to actual conditions prevailing in the industry and after consultation between the taxing authority and the industry to be taxed. Taxation should be designed to promote technical improvement and production increase on the part of industry. This is the proper system of taxation for a period of change and it is one that is welcomed by industrialists.

- C. An Outline of Industrial Production and Construction Plans for 1948 in the Liberated Areas of the Northeast. No information as to source.

In planning for the economy of the Northeast in 1948, the colonial economy of the Japanese and the feudalistic economy of the reactionaries must be replaced by a self-reliant, self-sufficient people's democratic economy in which city and country, and private and public, interests are in complete cooperation. For 1948, agriculture must be paramount; still, industrial production must be developed and increased.

- D. Decisions by the CCP of the Northeast Region on the Question of officers in Publicly Operated Enterprises.

This section goes into considerable detail respecting various industries, and the treatment of foremen and overseers in plants taken over for public operation. Doubtless the rapid and vast changes which have taken place in the military and political situation in the Northeast and other parts of the country, have rendered these plans obsolete.

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E. The Proper Policy for the Administration of Newly Liberated Cities.

In the government of liberated cities, a policy of moderation should be followed with protection for all law-abiding elements, whether laborers, capitalists, cultural and religious organizations or foreigners. Private industry should be encouraged to increase production; and government loans should be made where advisable. Reactionary elements should be rooted out or re-educated. Former civil servants should be used, as far as possible. Ultra-radical revolutionary policies should not be too hastily introduced; the change to full fruition of the revolution must proceed at a moderate pace.

F. Instructions of the CCP Central Office in the Northeast Relative to the Protection of Recently Captured Cities.

The time has come when the CCP need no longer rely wholly on the peasant economy. Cities are coming into our hands in increasing numbers, and we must recognize that the cities can be a source of great economic strength and much needed military supplies. Every care should be taken to preserve these resources intact. In some cities already taken, a number of abuses have developed, such as confiscation of property and goods by military organizations in the name of military necessity. In other cases, some civilians⁶ authorities have taken over supplies and sold some of them for their own profit, at the same time disrupting the currency market. In some cases the poor have not been restrained from looting, but rather have been encouraged to do so. Farmers in the country round about have entered the cities and looted the property of landlords who have fled.

These breakdowns of orderly processes have arisen from a lack of training and discipline, and a failure to recognize the permanency of our present occupation. A clear line of demarcation shall be drawn between the responsibilities of the military forces taking over the

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responsibilities of the military forces taking over the military occupation of a city and the responsibilities of those deputed to take over and establish civilian functions. The occupying troops must confine themselves to the elimination of hostile armed elements and the protection of civilian life and property, and leave all other matters to those delegated to deal with them. No looting or forcible expropriation of any property may be carried out by or permitted by the occupying forces.

G. Decisions of the Central Office of the CCP in the Northeast Relative to the Centralization and Strengthening of Forestry Affairs.

Timber resources of the Northeast are the greatest in all China and because of their importance must be under the control and operation of the Central government. All provincial forestry organs shall carry on their work under the direction of the central governing organ in order to insure uniform, controlled exploitation of this very valuable resource.

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Part II.

A. The Direction of Control of the People's Railways.

The people's railways should be operated on a business basis in order to secure the most efficient internal administration and economical operation, furnish the maximum assistance to the Liberation Army's war effort and the most effective transport of goods and passengers in the liberated areas. The workers should be led to realize that they are working for themselves, that, therefore, they cannot afford to render any but their very best service. During the continuation of the liberation war effort the railways cannot expect to garner profits, but in times of peace there should be a reasonable profit accruing from railway operations. This profit should be returned to the people in the form of better service and reduced taxes.

- B. Problems of Administration in Publicly Operated Enterprises.
- C. Problems in the Economic Administration of Publicly Operated Enterprises.
- D. Rules for Economic Calculations.

These sections deal largely with accounting in publicly operated enterprises and introduces little or nothing that is different from usual capitalistic accounting. It is largely concerned with setting forth the rudiments of business accounting.

It makes the point that in such enterprises the workers are the masters hence should be given an insight into the actual picture and conditions of the enterprise.

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E. A Few Suggestions for Publicly Operated Factories.

In Ha-erh-pin (Harbin) since the liberation much progress has been made both in production increase and in re-orientation of the thinking of the labor force in publicly operated industries. However, there are still many matters in which improvement is desirable. In some cases there is still a gulf between managers and overseers and the workers. Under these conditions it is impossible to arouse a high degree of spontaneous enthusiasm for the ideals of the new democratic society. It is necessary to organize unions in all these enterprises that can function to recognize the needs and demands of the workers and endeavor to help the management to meet them, while on the other hand the unions institute educational programs to develop the understanding and enthusiasm of the workers and to help them to realize that with mastery comes responsibility.

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F. Strengthening Forestry Work.

This section adds nothing significant to the material in Part I, Section G above.

G. Some Problems of Management in Publicly Operated Factories.

This section deals with cost accounting, business records, labor utilization, in-service training, and wage system, in publicly operated industries. The grid cumulative wage computation system presented seems, in general, somewhat similar to U. S. civil service system. Presents little or nothing novel to capitalistic enterprises.

Part III

A. The Northeast Military Supplies Industries.

This section deals with the unification of the military supplies control, manufacturing specifications, introduction of democratic processes in management, introduction of economy measures in use of materials and labor, reduction of the number of non-production staff members.

B. Coal Mines in the Northeast.

The coal mines of the liberated areas of the Northeast were generally in bad condition when liberated and much labor has been spent in rehabilitating them. The Pen-hsi-hu and Fu-shun mine areas had not been liberated at the time of this writing, but in the other areas, particularly in the north, production is fast approaching the wartime figure. Individual workers' production efficiency has been stepped up considerably.

Union organization activity has been carried on and the early tendency to be leftist is being rectified. Cadre training classes in large numbers are being carried on both for production workers and

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management workers. Training in business-like management among other things is a vital necessity for these enterprises. While many short comings still exist, the old idea that the mines are "hell" is fast fading forever.

C. Gold Mines in the Northeast.

According to regulations of the Northeast Administrative Commission published 11 March 1948 all gold mining in the liberated areas became a state enterprise. No prospecting or mining may be carried on by private interests without permits. Terms for private operation are 1.) State permission, 2.) Payment of stipulated rents and taxes, 3.) Abiding by the state mining regulations, 4.) Sale of all gold mined to the state at stipulated rates.

No private sale or use of gold for barter is permitted.

No opium growing, processing or use, no gambling and no prostitution is permitted in gold mining areas, as, indeed, in all liberated areas.

When it becomes desirable to use private property within the mining areas for mining purposes proper compensation shall be made for it.

Previous to the liberation mine operation was carried on largely by the feudalistic contract labor system. The contractors were capitalist in their own right and made use of all their prerogatives in the control of labor to enrich themselves. The largest operators fled with the overturn of the puppet government. The smaller operators entered into contracts with the new people's authorities, but because of their feudalistic practices the mining authorities have been gradually eliminating them in favor of the labor union organizations which give the workers the feeling of ownership and teach them the sense of responsibility accompanying it. One good result has been a 350 percent reduction in the smuggling of gold. The mining operation is rapidly taking on an entirely new and improved aspect since the labor organizations have begun their work.

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In the future whether the mining authority directly employs labor or leases the mines to private operators, democratic practices must be introduced among the laborers in order to build up their sense of fellowship and responsibility and arouse their enthusiasm for increased production. The last section discusses questions related to direct operation of gold mines by the Bureau of Mines.

D. Forestry in the Northeast.

Twenty thousand workmen will produce 1,450,000 cubic meters of timber in the liberated area of the northeast in 1948, and a final total of 60,000 workmen will produce more than 3,000,000 cubic meters in 1949 if projected plans are carried out. In this area forests are state owned and provincially operated. Only timber of non-commercial value may be cut at will.

The timber areas of the northeast naturally divide into eight.

1. Greater Hsing-an range forest area
2. Lesser Hsing-an range forest area
3. Wan-ta mountain range forest area
4. Ma-tan River basin forest area
5. Tu-men River basin forest area
6. Ya-lu River basin forest area
7. Hun River forest area
8. Jehol forest area

This section mainly describes the conditions in the forestry industry immediately after V-J day, and the efforts made and progress attained in rehabilitating and organizing it under the CCP government.

E. Conference of the Industrial and Mining Departments of the Northeast Provinces, June-July 1948.

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During June and July 1948 the various provinces of the liberated area, Sungkiang, Hokiang, Heilung-kiang, Hankiang, Kirin and Maotung convened the managers of industrial and mining enterprises under the auspices of the northeast Industrial Bureau to discuss their problems and lay out plans for overcoming their difficulties and improving their operations. The principal topics of discussion common to all the conventions were 1) how to cure abuses in management, 2) the development of more scientific, business-like methods in management, 3) labor union organization, 4) welfare plans for workers, 5) how to cut costs while at the same time increasing production and improving quality, and 6) political indoctrination and development of the worker's enthusiasm for the C P movement.

One section presents a report of union organizational activities among the metal workers of Ha-erh-pin during a period of a year and a half. Indicates some progress and points out weak spots that need improving.

F. North China Conferences on Industry and Commerce.

The North China Industrial and Commercial Conferences lasted forty-two days. Three hundred and twenty delegates from the government and management and labor representatives of labor unions, publicly-operated industries, cooperatives and private industries participated. Such topics were discussed as the relationship of public and private industry in the industrial policy, relations of labor and capital, the responsibilities of industry and commerce, the management of industry and commerce, and the question of infringement of the rights of industry and commerce in the land redistribution program, as well as other questions.

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The questions involved in the operation of publicly-operated industries were carefully considered and rules adopted for dealing with them. One problem given special consideration was that of wages and hours in publicly operated industries. The ten-hour day was set as the norm.

The Conference pointed out a number of instances where publicly-operated industries had made the mistake of going ahead in expansion programs without the counsel of technical advisors or government authorities and had wasted vast sums of money in impracticable and unprofitable developmental schemes. Such practices were severely condemned and reform demanded.

The conference recognized that in many cases too many men were in positions of responsibility who had no proper knowledge of the enterprise they were trying to manage, and called for reform along this line. It also recognized that often too many non-productive super-numeraries were on the payrolls.

The conference drew up and submitted to the political authorities recommendations on fiscal policies for publicly operated enterprises.

The conference recognized that there was a great deal of room for private capital to operate and that publicly operated enterprises should aid and guide private enterprise. It invited capital from outside the liberated area to come over into the liberated areas.

The conference in considering the labor problems of private industrial and commercial enterprises went on record as favoring the general retention of the established customs in the matter of labor contracts, partnerships, apprenticeship practices, etc. with modifications to meet democratic procedures, such as shortening hours of labor to not more than 12, improving working conditions of labor, and shortening periods of apprenticeship where the apprentice reaches journey man's ability before the end of the contract period.

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The conference recommends setting up of a standing committee in larger industries representing management and labor to study and make recommendations on the problems of the enterprise. It enjoins respect on the part of employees for the regulations of the shop and for the management.

With regard to taxation of industrial and commercial enterprises the conference agreed that taxes should be lighter in newly liberated areas than in older areas, and that in places where business had suffered special hardships a moratorium should be granted. In the matter of rates for business tax a difference should be made according to the usefulness of the business to the war of liberation and the livelihood of the people, concerning income tax it was decided that companies having net income of more than 200,000 dollars Hopeh currency should pay not less than five percent nor more than 25 percent. The conference generally favored a single payment, but compromised on a two-payment plan when certain delegates pointed out hardships of the single-payment plan in some areas.

An annual public audit of business incomes is a part of the plan adopted. Since many members of the public are unfamiliar with business operations it was decided that for the present the chambers of commerce should conduct the audit and invite in representative members of the respective industries to participate, all under the direction of the government commercial bureau. In case any concern considers its assessed tax unfair, it may appeal for a reconsideration, the conclusion of which is to be final.

NOTES ON DISCUSSION OF LEFTIST DEVIATION IN CENTRAL HOPEH.

The director of the Central Hopeh Labor Union in urging the organization of a movement to increase production pointed out a number of instances of leftist deviation which were dangerous and should be corrected. In the October 1945 conference of labor union delegates, resolutions were adopted raising wages in a manner unfairly partial to the workers, but saying nothing about increased production. These made employers wary about large scale employment of workers and apprentices. In the conferences in March and September 1946, not a few cadremen in the industrial field argued that the only way to increase production was to raise wages, and that only the labor union cadremen could represent the interests of the workers. Whenever the cadremen enter a factory, they talk about nothing but workers' wages and treatment, and in this they put the labor union at variance with the administration. They advocate the appointment of cadremen who have had no previous relation to industry; they harp on the assertion that the employers' and managers' attitude toward the worker is always one of exploitation; they regard the skilled workers as belonging to "the nobility" and do not let them be members of the labor union; they try to classify the industrial workers just as the farmers are classified as landlords, rich farmers, middlemen and poor farmers, thus introducing confusion and hindering production. These all indicate on the part of the cadremen a serious misunderstanding of the problems of industry in relation to the abolition of feudalism and the policy for developing the economy of the new democracy. The proper and important course to be adopted is for all cadremen hereafter to inject into the labor movement the principles and spirit advocated by Mao Tse-tung, viz.-

"Promote production; strive for a flourishing economy; protect both public and private interests; seek the welfare of both the laborer and the employer."

The resolutions of this conference must be put into effect; work toward the solidarity of all workers; strengthen their class consciousness; increase both quantity and quality of production; try to exceed production goals by stimulating competition through giving recognition and prizes to the best workers, and by punishing the lazy, careless and wasteful workers. Performance should be checked up every three months. Look after the welfare of the workers, and pay attention to their suggestions and complaints. The above-mentioned regimens which are to be put into effect in government operated factories may also be used as a guide, but not inflexibly enforced, in private industries.